

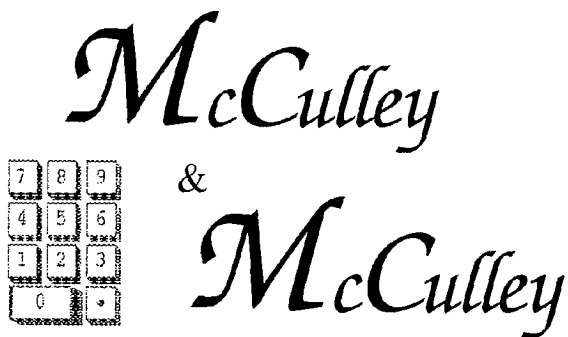
THOMAS ECONOMIC  
DEVELOPMENT AUTHORITY  
THOMAS, OKLAHOMA

FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT

JUNE 30, 2013 AND 2012

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
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**JUNE 30, 2013 AND 2012**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Thomas Economic Development Authority  
Thomas, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Thomas Economic Development Authority, as of and for the years ending June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's modified cash basis financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable

assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accompanying financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position-modified cash basis of Thomas Economic Development Authority, as of June 30, 2013 and 2012, and the respective changes in financial position-modified cash basis and its cash flows-modified cash basis for the years then ended, in conformity with the basis accounting described in Note 1.

#### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The

purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Thomas Economic Development Authority's internal control over financial reporting and compliance.

*McCulley & McCulley*

Weatherford, Oklahoma

February 26, 2016

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**STATEMENT OF ASSETS, LIABILITIES AND NET POSITION**  
**MODIFIED CASH BASIS**  
**JUNE 30, 2013 AND 2012**

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 85,424	\$ 99,467
Restricted Cash and Cash Equivalents	272,554	199,034
Total Cash and Cash Equivalents	<u>357,978</u>	<u>298,501</u>
Account Receivable	36,341	
Notes Receivable	3,713	6,579
Capital Lease Receivable	11,447	11,008
Total Current Receivables	<u>51,501</u>	<u>17,587</u>
<b>Total Current Assets</b>	<u>409,479</u>	<u>316,088</u>
<b>Noncurrent Assets</b>		
Capital Assets, Net of Accumulated Depreciation	1,753,929	1,838,211
Notes and Bond Issue Costs, Net of Accumulated Amortization	6,707	9,264
Notes Receivable, Net of Current		20,102
Capital Lease Receivable, Net of Current	100,599	112,074
<b>Total Noncurrent Assets</b>	<u>1,861,235</u>	<u>1,979,651</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,270,714</u>	<u>\$ 2,295,739</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bonds and Notes Payable	\$ 149,015	\$ 162,407
<b>Total Current Liabilities</b>	<u>149,015</u>	<u>162,407</u>
<b>Noncurrent Liabilities</b>		
Bonds and Notes Payable	418,834	569,309
<b>Total Long-Term Liabilities</b>	<u>418,834</u>	<u>569,309</u>
<b>TOTAL LIABILITIES</b>	<u>567,849</u>	<u>731,716</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,192,787	1,115,759
Restricted	272,554	199,034
Unrestricted:		
Invested in Community Development Projects	152,100	149,763
Unrestricted	85,424	99,467
<b>TOTAL NET POSITION</b>	<u>1,702,865</u>	<u>1,564,023</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,270,714</u>	<u>\$ 2,295,739</u>

The accompanying notes are an integral part of these statements.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - MODIFIED CASH BASIS  
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Rental/Lease Income	\$ 177,343	\$ 170,277
Administrative Bond Fees	3,850	4,255
Donations		3,405
Miscellaneous	650	456
	<u>181,843</u>	<u>178,393</u>
<b>Total Operating Revenues</b>		
	<u>181,843</u>	<u>178,393</u>
<b>Operating Expenses</b>		
Administration/General	9,168	19,256
Economic Development	11,900	1,200
Depreciation	84,282	84,281
Amortization	2,557	2,557
	<u>107,907</u>	<u>107,294</u>
<b>Total Operating Expenses</b>		
	<u>107,907</u>	<u>107,294</u>
<b>Income from Operations</b>	<u>73,936</u>	<u>71,099</u>
	<u>73,936</u>	<u>71,099</u>
<b>Non-operating Revenues (Expenses)</b>		
Investment Income	2,065	2,879
Interest Income on Capital Lease Receivable	3,809	1,431
Interest Expense	(27,698)	(32,022)
	<u>(21,824)</u>	<u>(27,712)</u>
<b>Total Non-operating Revenues (Expenses)</b>		
	<u>(21,824)</u>	<u>(27,712)</u>
<b>Net Income before Contributions and Transfers</b>	52,112	43,387
	52,112	43,387
<b>Transfers In - Pledged Sales Tax Revenue from City of Thomas</b>	86,730	94,935
	86,730	94,935
<b>Change in Net Position</b>	138,842	138,322
	138,842	138,322
<b>Net Position - Beginning of Year</b>	1,564,023	1,425,701
	1,564,023	1,425,701
<b>Net Position - End of Year</b>	<u>\$ 1,702,865</u>	<u>\$ 1,564,023</u>
	<u>\$ 1,702,865</u>	<u>\$ 1,564,023</u>

The accompanying notes are an integral part of these statements.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	\$ 177,343	\$ 170,277
Donations		3,405
Other Operating Cash Receipts	4,500	4,711
Payments to Suppliers	(45,509)	(19,256)
Payments for Economic Development	(11,900)	(1,200)
<b>Net Cash Provided by Operating Activities</b>	<u>124,434</u>	<u>157,937</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers in - Pledged Sales Tax Revenue	<u>86,730</u>	<u>94,935</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>86,730</u>	<u>94,935</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of Capital Assets		(9,323)
Cash Outlay for Capital Lease Receivable		(126,600)
Repayment of Capital Lease Receivable	11,036	3,518
Interest Received on Capital Lease Receivable	3,809	1,431
Proceeds from Note Payable		126,600
Principal paid on Bonds and Notes Payable	(163,867)	(197,756)
Interest Paid on Bonds and Notes Payable	(27,698)	(32,022)
<b>Net Cash (Used for) Capital and Related Financing Activities</b>	<u>(176,720)</u>	<u>(234,152)</u>
<b>Cash Flows from Investing Activities</b>		
Repayment of Notes Receivable	22,968	5,874
Interest and Dividends	2,065	2,879
<b>Net Cash Provided by Investing Activities</b>	<u>25,033</u>	<u>8,753</u>
<b>Increase in Cash and Cash Equivalents</b>	59,477	27,473
<b>Balance of Cash and Cash Equivalents</b>		
Beginning of Year	<u>298,501</u>	<u>271,028</u>
End of Year	<u>\$ 357,978</u>	<u>\$ 298,501</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$ 73,936	\$ 71,099
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
(Increase) in Accounts Receivable	(36,341)	
Depreciation Expense	84,282	84,281
Amortization Expense	2,557	2,557
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 124,434</u>	<u>\$ 157,937</u>

The accompanying notes are an integral part of these statements.



**THOMAS ECONOMIC DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 1 - Summary of Significant Accounting Policies.**

The accounting policies of the Thomas Economic Development Authority (the Authority) do not conform to accounting principles generally accepted in the United States of America as applicable to governments. These standards are set by the Governmental Accounting Standards Board (GASB). The Authority uses the modified cash basis of accounting as described below. The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates. The following is a summary of the more significant policies.

**A. The Reporting Entity.**

The Thomas Economic Development Authority was created as a public trust under and pursuant to the laws of the State of Oklahoma on March 16, 1987. The Authority was created for the use and benefit of the City of Thomas, Oklahoma (the beneficiary). The trust indenture establishing the Authority was amended on December 9, 1998, and it specifies the purposes of the trust. The five trustees of the Authority are appointed by the City Council of the City of Thomas. The City Council of the City of Thomas may also remove any trustee from office, without cause, by a majority vote. The Authority uses the City of Thomas office space and employees to conduct its business. It also manages and leases some of the City's properties and receives financial revenue from the City for debt service payments. Based upon the criteria for a component unit, the Authority is a component unit of the City of Thomas, Oklahoma, and its financial statements has previously been included as a component unit of the City of Thomas, Oklahoma's, financial statements. The City of Thomas, Oklahoma's, financial statements can be obtained from the City or from the Oklahoma State Auditor's web site.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 1 - Summary of Significant Accounting Policies.**

**B. Basis of Presentation - Accounting.**

The financial statements of the Authority are presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenues are reported as earned when cash is received and expenses are reported when the related liability is paid in cash, except as noted below. Generally accepted accounting principles require the Authority to report on the accrual basis. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the liability is incurred.

**C. Cash and Cash Equivalents.**

Cash and cash equivalents consist of demand deposit accounts, interest-bearing checking accounts, and trustee debt service accounts.

**D. Accounts and Notes Receivable.**

Accounts receivable are expenses paid by the Authority with the intention to be reimbursed by a third party. Notes receivable are loans made to third parties for community development. No allowance for doubtful accounts has been established since management believes all are collectible.

**E. Capital Lease Receivable.**

Capital lease receivable is a lease purchase agreement with a third party to transfer title to capital assets providing all lease payments have been made as agreed.

**F. Capital Assets.**

Capital assets are valued at historical cost or estimated historical cost if actual is unavailable, or if donated, at the estimated fair value on the date of donation. Generally, the organization only capitalizes assets that have an estimated life

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 1 - Summary of Significant Accounting Policies.**

**F. Capital Assets (continued).**

greater than one year and a cost of \$1,500 or more. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful lives by type of asset are as follows:

Buildings	40 years
Land Improvements	20 years
Leasehold Improvements	20 years
Machinery and Equipment	5-20 years
Water, Sewer, and Drainage Systems	20 years
Furniture and Fixtures	5-10 years

**G. Loan and Bond Issue Costs.**

Loan and Bond Issue costs are capitalized and amortized using the straight-line method over the life of the respective loan and bond issue. At June 30, 2013 and 2012, accumulated amortization of loan costs is \$24,188 and \$22,309, respectively. At June 30, 2013 and 2012, accumulated amortization of bond issuance costs is \$10,861 and \$10,182, respectively.

GASB has issued Statement No. 65 - Items Previously Reported as Assets and Liabilities in March, 2012. This statement requires debt issuance costs to be recognized as an expense. The effect of this statement would be to adjust these unamortized balances as a restatement of the beginning net asset balance. It is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The Authority has not elected to implement this standard early.

**H. Bonds and Notes Payable.**

Bonds and Notes Payable incurred by the Authority are recorded as liabilities.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 1 - Summary of Significant Accounting Policies.**

**I. Net Position.**

Net Position are classified into three components:

1. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation, plus loan and bond issue costs, and reduced by the outstanding balances of any notes payable attributable to these assets.

2. Restricted Net Position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional revisions or enabling legislation.

3. Unrestricted net position - All other net position that do not meet the definition of the other two above. These include amounts designated by management for a particular purpose. Invested in Community Development Projects are various receivable amounts authorized by the Board of Trustees to provide capital to new and/or existing businesses within the community and to promote economic development.

**J. Operating Revenues and Expenses.**

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of rental and administrative fees. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 2 - Cash and Cash Equivalents.**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority uses the state statutes as a deposit policy for custodial credit risk. All funds in a noninterest-bearing transaction accounts are insured in full by the Federal Deposit Insurance Corporation (FDIC) from December 31, 2010, through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

At June 30, 2013 and 2012, the Authority's cash and cash equivalents consisted of demand deposits and mutual funds as follows:

	June 30,	
	2013	2012
Demand Deposits	\$ 85,424	\$ 99,467
Restricted Demand		
Deposits	181,671	122,149
Total Demand Deposits	\$267,095	\$221,616
Restricted Mutual Funds	90,883	76,885
Total Cash and Cash		
Equivalents	<u>\$357,978</u>	<u>\$298,501</u>
Total Demand Deposits:		
Carrying Balance	\$267,095	\$221,616
Bank Balance	288,907	222,262
Insured Balance	288,907	222,262

The Thomas Economic Development Authority has cash and cash equivalents restricted by a bond indenture. The bond indenture agreement is with the Bank of Oklahoma (the trustee) and restricts the use of monies for the payment of principal and interest on the 1998 Series Bonds discussed below. The trustee bank has these funds invested in a short-term mutual fund. Cost

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 2 - Cash and Cash Equivalents (continued).**

equals market value of the mutual funds. The bond indenture agreement also created a gross revenue account with the funds on deposit with a local banking institution. All revenues derived by the authority related to the bond indenture are deposited into this account. The indenture specifies that these monies are to be used for principal and interest payments on the Authority's bonds and other indebtedness discussed in the bond indenture, maintenance of the asset pledged under the bond indenture, and certain other proper purposes.

**Note 3 - Notes Receivable.**

Notes receivable consists of loans made to third parties for community development. The following briefly describes these receivables:

JDP Senior Housing Investments, LP - On February 20, 2008, a loan in the amount of \$35,057 was made. The loan is to be repaid over 120 consecutive monthly payments of \$372 each. The note has a stated interest rate of 5%. Payments began March 2008 with the final payment being due in February 2018. The promissory note is secured by a mortgage on real estate located at 601 E. Frisco, Thomas, Oklahoma. The balance on this note as of June 30, 2013 and 2012 was \$ -0- and \$20,240, respectively. This loan was paid off in December 2012.

Sue Hutchinson - A loan in the amount of \$11,349 was made with the stated repayment amount to be \$12,000. The imputed interest rate is 5.41%. The loan is to be repaid over 24 consecutive monthly payments of \$500 each. Payments began January 2011 with the final payment being due on December 10, 2012. On July 18, 2011, an addendum to the promissory note specified that payments for the months of August, September, and October, 2011, would be deferred. Payments will resume on November 10, 2011 in the amount of \$250.00 for 32 consecutive months until the total principal amount is paid in full. The balance on this note as of June 30, 2013 and 2012 was \$3,713 and \$6,432, respectively.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 3 - Notes Receivable (continued).**

A summary of notes receivable activity follows:

	Balance 6/30/11	New Notes Rec.	Repay- ments	Balance 6/30/12	Repay- ments	Balance 6/30/13	Due With-in One Year
JDP							
Senior	\$23,930	\$	\$3,680	\$20,250	\$20,250	\$ -0-	\$ -0-
Hutchison	8,625		2,194	6,431	2,718	3,713	3,713
Total	\$32,555	\$	\$5,874	\$26,681	\$22,968	\$ 3,713	\$3,713

**Note 4 - Capital Lease Receivable.**

Capital lease receivable is a lease-purchase loan made to a third party with a bargain purchase option.

Schrock Automotive, LLC - On February 13, 2012, the Authority entered into a capital lease agreement for the building and equipment. The capital lease agreement has a principal amount of \$126,600 to be repaid over 120 consecutive monthly installments of \$1,237 with payments beginning March 13, 2012. The stated interest rate is 3.25%. At the end of the lease, Schrock Automotive may purchase the building and equipment for \$1. This lease is secured by the building and equipment. The building and equipment has a first mortgage to Kiwash Electric Cooperative who loaned the Authority the funds to purchase the building and equipment as noted in Note 6. The balance on this note as of June 30, 2013 is \$112,046.

Minimum lease payments receivable	
at June 30, 2013	\$129,016
Less Interest to be Earned	( 16,970)
Capital Lease Receivable	<u>\$112,046</u>
Principal Due Within One Year	<u>\$ 11,447</u>

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 5 - Capital Assets.**

All the Authority's capital assets are either leased or held for leasing. Capital asset activity for the fiscal years ending June 30, 2013 and 2012 follows:

	Balance at 6/30/2012	Additions (Deletions)	Balance at 6/30/2013
Capital Assets Not Being Depreciated:			
Land, including Leasehold			
Land Improvements	\$ 101,290	\$	\$ 101,290
Depreciable Capital Assets:			
Buildings	2,141,977		2,141,977
Drainage System	2,406		2,406
Furniture and Fixtures	50,482		50,482
Land Improvements	314,728		314,728
Leasehold Improvements	125,421		125,421
Machinery and Equipment	386,969		386,969
Water and Sewer System	61,200		61,200
Total Depreciable Capital Assets	3,083,183		3,083,183
Less Accumulated Depreciation:			
Buildings	( 629,756)	( 53,550)	( 683,306)
Drainage System	( 1,383)	( 120)	( 1,503)
Furniture and Fixtures	( 50,235)	( 198)	( 50,433)
Land Improvements	( 177,034)	( 15,737)	( 192,771)
Leasehold Improvements	( 74,298)	( 6,271)	( 80,569)
Machinery and Equipment	( 379,131)	( 5,346)	( 384,477)
Water and Sewer System	( 34,425)	( 3,060)	( 37,485)
Total Accumulated Depreciation	(1,346,262)	( 84,282)	( 1,430,543)
Depreciable Capital Assets, Net	1,736,921	( 84,282)	1,652,639
Net Capital Assets	\$ 1,838,211	\$( 84,282)	\$ 1,753,929



**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 5 - Capital Assets (continued).**

	Balance at 6/30/2011	Additions (Deletions)	Balance at 6/30/2012
<hr/>			
Capital Assets Not Being Depreciated:			
Land, including Leasehold			
Land Improvements	\$ 91,967	9,323	\$ 101,290
<hr/>			
Depreciable Capital Assets:			
Buildings	2,141,977		2,141,977
Drainage System	2,406		2,406
Furniture and Fixtures	50,482		50,482
Land Improvements	314,728		314,728
Leasehold Improvements	125,421		125,421
Machinery and Equipment	386,969		386,969
Water and Sewer System	61,200		61,200
Total Depreciable			
Capital Assets	3,083,183		3,083,183
<hr/>			
Less Accumulated Depreciation:			
Buildings	( 576,206)	( 53,550)	( 629,756)
Drainage System	( 1,263)	( 120)	( 1,383)
Furniture and Fixtures	( 50,038)	( 197)	( 50,235)
Land Improvements	( 161,298)	( 15,736)	( 177,034)
Leasehold Improvements	( 68,026)	( 6,272)	( 74,298)
Machinery and Equipment	( 373,785)	( 5,346)	( 379,131)
Water and Sewer System	( 31,365)	( 3,060)	( 34,425)
Total Accumulated			
Depreciation	(1,261,981)	( 84,281)	(1,346,262)
<hr/>			
Depreciable Capital			
Assets, Net	1,821,202	( 84,281)	1,736,921
<hr/>			
Net Capital Assets	\$ 1,913,169	\$( 74,958)	\$ 1,838,211
<hr/>			

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 6 - Bonds and Notes Payable.**

Bonds and notes payable consists of the following:

Sales Tax Revenue Bonds, Series 1998 (Thomas Aviation Building Project) - The Authority issued \$385,000 sales tax revenue bonds on February 1, 1998. The bonds specify interest payments payable semiannually on February 1 and August 1 of each year through maturity with interest rates ranging from 4.1% to 6%. Principal payments range from \$10,000 to \$30,000 and are payable on February 1 through the year 2018. Maturity of the bonds is on February 1, 2018. The bond indenture specifies early redemption procedures and states that any bonds redeemed after January 31, 2005, may be at par. Any early redemption of bonds must be made in multiples of \$5,000 and in inverse order of maturity. During the year ending June 30, 2012, the Authority redeemed an additional \$65,000 of bonds. The bonds maturing on February 1, 2013, through February 1, 2018, shall be subject to mandatory annual sinking fund payments of \$25,000 for each year before the \$65,000 early redemption. After the early redemption, the mandatory annual sinking fund payments were \$15,000 from February 1, 2013, through February 1, 2016. For February 1, 2017 and 2018 the mandatory annual sinking fund payments were \$20,000 for each year. The bonds are a special and limited obligation of the Authority and are payable solely from and secured by 1) the parity first leasehold mortgage given to the Bank of Oklahoma to secure the bondholders and other parity debt that may be obtained, 2) the pledged sales tax revenues received from the City of Thomas, Oklahoma, pursuant to a sales tax agreement, and 3) any funds on deposit with the bond trustee, and 4) any other funds legally available to the Authority for payment on the bonds.

The balance on the bonds as of June 30, 2013 and 2012, was \$85,000 and \$100,000, respectively. These bonds were paid off in February, 2014.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 6 - Bonds and Notes Payable (continued).**

Oklahoma Department of Commerce/Division of Community Affairs and Development (ODOC/DCAD) - Under the loan agreement dated August 24, 1999, the Authority obtained financing in the amount of \$400,000. The loan is a 0% interest loan with a term of twenty years. The loan is made to the City of Thomas/Thomas Public Works Authority and has been passed through to the Thomas Economic Development Authority. The Authority is to remit principal payments in the amount of \$1,667 in two hundred forty equal monthly installments beginning in fiscal year 2002 and makes them directly to the Oklahoma Department of Commerce. The loan is collateralized by the building lease payments. The balance on this loan as of June 30, 2013 and 2012 was \$168,333 and \$190,000, respectively.

Bank of Western Oklahoma - This loan was a construction line of credit up to \$1,000,000 for the purpose of constructing a building. The permanent loan was done on February 1, 2001, principal amount of \$1,000,000 at 9% interest with a term of fifteen years. The interest rate was changed to 6% on November 6, 2008. The note states that the interest rate can be adjusted on the 5<sup>th</sup> and 10<sup>th</sup> anniversary of the note. The Authority is to remit monthly principal and interest payments of \$10,217 beginning March 1, 2001. The loan is secured by a title insured first lien on a tract of land, building and site improvements, equipment, assignment of life insurance, and assignments of rents from W. W. Manufacturing, a Kansas Corporation. The balance on this loan as of June 30, 2013 and 2012 was \$202,518 and \$317,806, respectively.

Kiwash Electric Cooperative, Inc. - Revolving Loan Fund - Under the loan agreement dated January 9, 2012, the Authority obtained financing in the amount of \$126,600. The interest rate is 3.25% with a term of ten years. The Authority is to remit payments in the amount of \$1,237 in one hundred twenty equal monthly installments beginning April 1, 2012. The purpose of this loan was to purchase

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
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**Note 6 - Bonds and Notes Payable (continued).**

economic development property which was subsequently sold to Schrock Automotive, LLC, under a lease purchase agreement. This loan is collateralized by a real estate mortgage on the building and equipment. The balance on this loan as of June 30, 2013 and 2012 is \$111,998 and \$123,910, respectively.

The following is a summary of the bonds and notes payable transactions of the Thomas Economic Development Authority for the years ending June 30, 2013 and 2012:

Bonds and Notes Payable	Balance 6/30/11	(Repay- ments)	New Debt	Balance 6/30/12	(Repay- ments)	Balance 6/30/13	Due With- in One Year
Sales Tax Revenue							
Bond *	\$185,000	\$ ( 85,000)	\$	\$100,000	\$ ( 15,000)	\$ 85,000	\$ 15,000
ODOC/DCAD	208,333	( 18,333)		190,000	( 21,667)	168,333	20,000
Bank of Western Kiwash Electric	409,539	( 91,733)		317,806	(115,288)	202,518	103,603
		( 2,690)	126,600	123,910	( 11,912)	111,998	10,412
Totals	\$802,872	\$ (197,756)	\$126,600	\$731,716	\$ (163,867)	\$567,849	\$149,015

\*Sales tax bonds were paid off in February 2014

The annual contractual debt service requirements for retirement of principal and payment of interest are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 149,015	\$ 17,779	\$ 166,794
2015	145,633	10,110	155,743
2016	47,104	6,042	53,146
2017	52,503	4,742	57,245
2018	52,916	3,130	56,046
2019-2022	120,678	3,325	124,003
Totals	\$ 567,849	\$ 45,128	\$ 612,977

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 7 - Conduit Debt Obligation.**

On September 1, 2007, the Authority issued its Educational Facilities Lease Revenue bonds (Thomas-Fay-Custer Public Schools Project) Series 2007. Bond proceeds are for the benefit of the Thomas-Fay-Custer Public School District (the District) and are secured solely by the certain rental and lease purchase payments payable by the District and other funds and accounts established under the indenture relating to the bonds. The Authority has assigned all its rights and interests in the rental and lease purchase payments to the Trustee bank. The District makes its payments directly to the Trustee bank. These bonds do not constitute an obligation, legal or moral, or debts, general or special, of the Authority. As such, the accounts held by the Trustee bank for debt payment and any other assets related to the bonds and related bond payable accounts are not presented in these financial statements. The Authority receives an administrative fee for facilitating these bonds.

The original issue amount was \$5,035,000. The outstanding balance of the bonds as of June 30, 2013 and 2012 was \$3,430,000 and \$3,850,000, respectively.

**Note 8 - Risk Management.**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and natural disasters. The Authority purchases commercial insurance or has the lessee purchase commercial insurance to manage these risks. Deductibles range from \$500 to \$2,500, depending upon the insurance coverage. The Authority is also a named plan member effective July 27, 2011, of the City of Thomas liability policy.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 9 - Commitments.**

Short-term Lease Commitments.

The Authority entered into a lease agreement with the City of Thomas, (as lessor), on February 24, 1998, in which the Authority leased real property to develop an industrial facility to be leased to a tenant. No rental payments are required under the terms of the lease. The consideration shall be the installation, construction, and operation of improvements to the leased property. At the end of the lease term, the Authority has the option to renew the lease for a like term.

On November 11, 1998, the Authority, as lessor, entered into a lease agreement for the lease of the industrial facility referred in the above paragraph. The original term of the lease commenced on May 1, 1998. The lease specifies rental payments of \$600 per month. Due to federal monies, the term of the lease may not exceed thirty days; however, the lessee shall have the option to renew the lease agreement for a period of an additional thirty days at the end of each lease term. The lessee's exercise of its renewal option for an additional thirty day period shall be automatic unless lessee or lessor provides written notice to terminate to the other party at least thirty days prior to expiration of this lease agreement. Renewal terms are the same as the original lease agreement.

On February 1, 2008, the Authority, as lessor, entered into a lease agreement for the lease of a portion of the Thomas Medical Clinic (owned by the City of Thomas) to Dr. Richard Carter, lessee. The lease commenced on February 1, 2008, and is for the term of thirty-five months expiring on December 31, 2010. At the time of the expiration of the lease, the lease shall convert to a month-to-month basis versus being renewed. The lease specifies payments of \$855 per month. On October 22, 2012, the City of Thomas has contracted for the sale of the Thomas Medical Clinic through a lease purchase agreement.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING JUNE 30, 2013 AND 2012**

**Note 9 - Commitments (Continued).**

Long-term Lease Commitments.

The Authority has entered into a lease agreement on January 26, 2000, with an industrial company for the lease of a facility which the Authority constructed with funding from loans, federal grants and federal zero percent interest loans, as well as donated services of state and county governments. The lease payments are to be the amount equal to the amount required to service the debt on loans related to succeeding initial occupancy of the facility, which was April 1, 2003, and shall extend for fifteen years thereafter or until all the loans related to this project have been paid. An addendum to this lease agreement was made on January 23, 2001, to add some equipment to the lease properties. Current monthly lease payments are \$13,133.

On August 20, 2003, the Thomas Economic Development Authority leased from the Thomas Public Works Authority certain real property and equipment for a term of thirty-three years. Consideration for the lease was \$10 plus maintenance and payment of all expenses on the property during the term of the lease. The lease does not have a renewable option, but does allow the Authority to sublease the property. The Authority had several subleases with the latest being entered on December 28, 2010, and commenced February 1, 2011, for a term of three years. The lease specifies payments of \$550 per month and stipulates a \$50 late payment penalty if payment is made more than five days after the due date. Lessee has the option to renew the lease for a three year term upon giving lessor a sixty day notice.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 9 - Commitments (Continued).**

The renewed lease would increase the payment to \$600 per month. The following is a schedule by years of minimum future rentals on noncancelable long-term operating leases as of June 30, 2013.

Year Ending June 30	
2014	\$145,900
2015	142,600
2016	56,328
2017	20,000
2018	20,000
2019-2022	79,999
Total	<u>\$464,827</u>

**Note 10 - Dependency on the City of Thomas, Oklahoma.**

The Authority is dependent upon funding from the City of Thomas to fund its debt service on its bonds payable. The Authority received \$86,730 and \$94,935 from the City during the years ending June 30, 2013 and 2012, respectively. The funds represent a one-percent City sales tax that is transferred from the City's General Fund. Although due to Oklahoma law the City may not obligate beyond its fiscal year, the City has agreed to consider budgeting and appropriating, on a year-to-year basis, this one-percent sales tax to the Authority. If the City were to not budget and appropriate this one-percent sales tax, the Authority may not be able to meet its debt service requirements.

**Note 11 - Contingencies.**

The Authority participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability if reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.





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**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Thomas Economic Development Authority  
Thomas, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the Thomas Economic Development Authority, for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Thomas Economic Development Authority's financial statements and have issued our report dated February 26, 2016. The Authority reports its financial statements on the modified cash basis of accounting.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the accompanying financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees,

in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Weatherford, Oklahoma

February 26, 2016